

Message Text

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ACTION EA-10

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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC PRIORITY 9511

C O N F I D E N T I A L KUALA LUMPUR 1891

E.O. 11652: GDS
TAGS: ENRG MY
SUBJ: REACTIONS TO NEW LEGISLATION ON OIL DISTRIBUTORS

REF: KL 1862, 1860, 1834; STATE 078498, 079395

1. CALTEX OFFICIALS AND MANAGING DIRECTOR MOBIL CALLED
SEPARATELY ON AMBASSADOR APRIL NINE.

2. CALTEX SAID IMMEDIATE EFFECT OF PETROLEUM DEVELOPMENT
(AMENDMENT) ACT IS THAT CALTEX PROPOSAL CURRENTLY PENDING
BEFORE PETRONAS (NATIONAL PETROLEUM CO.) TO BUILD NEW
REFINERY WOULD BE RECONSIDERED. CALTEX NOT WILLING COMMIT
US DOLS 200 MILLION PLUS FOR PROJECT GIVEN UNCERTAINTIES
RAISED BY PROVISION OF ACT WHICH WOULD TRANSFER MANAGE-
MENT CONTROL OF CALTEX TO PETRONAS FOR ONE PERCENT OF
OUTSTANDING SHARES. COMMENTED THAT ACT ADVERSELY AF-
FECTS OVERALL INVESTMENT AND BUSINESS CLIMATE IN MALAYSIA.
PARTICULARLY DISTURBING IS PRECIPITOUS WAY ACT RUSHED
THROUGH PARLIAMENT WITHOUT PRIOR CONSULTATION WITH OIL
COMPANIES AND APPARENTLY LITTLE DISCUSSION WITHIN GOM,
RADICAL DEPARTURE FROM PAST MODUS OPERANDI OF GOM.

3. MOBIL MADE SAME POINTS AS CALTEX REGARDING EFFECTS
ON INVESTMENT/BUSINESS CLIMATE. THOSE OIL INDUSTRY
OFFICIALS WHO BELIEVE YOU SHOULD NOT SET UP OVERSEAS
DISTRIBUTION FACILITIES IN COUNTRIES WITH OWN PRODUCTION
HAVE BEEN PROVIDED ANOTHER EXAMPLE. MANAGING DIRECTOR
HAS ORDERED WORK STOPPED ON US DOLS 1,000,000 EXPANSION
PLANS UNDER INSTRUCTIONS FROM HOME OFFICE. MOBIL FAVORS
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JOINT OIL INDUSTRY APPROACH TO GOM, BUT FROM PAST

EXPERIENCE RECOGNIZES THAT SHELL VITAL ANY JOINT REPRESENTATION BECAUSE SHELL HAS LARGEST SHARE DOMESTIC RETAIL MARKET (45 PERCENT) AND IS ONLY MAJOR OIL PRODUCTION COMPANY IN MALAYSIA (APPROX. 100,000 BBL PER DAY). TOTAL SHELL INVESTMENT MORE THAN COMBINED INVESTMENT OTHER OIL COMPANIES (ESSO, BP, CALTEX, AND MOBIL). IN PAST WHILE SHELL SOMETIMES WENT ALONG WITH JOINT REPRESENTATIONS TO GOM, IT USUALLY WORKED OUT OWN SPECIAL ARRANGEMENTS IN PRIVATE CONTACTS WITH GOVT. MOBIL CONCERNED SHELL WILL FOLLOW SAME TACTICS THIS INSTANCE WHICH WOULD SERIOUSLY UNDERMINE ANY CHANCE OF SUCCESS OF JOINT REPRESENTATION TO GOM BY OTHER OIL COMPANIES. AS LAST RESORT BELIEVES LAWYERS COULD CONCEIVE LEGAL DEVICE IN CORPORATE BY-LAWS TO NULLIFY POWERS OF ANY DIRECTORS OR MANAGEMENT PERSONNEL APPOINTED BY PETRONAS UNDER ACT, BUT THIS NONSEQUITUR AS WOULD PUT COMPANY DIRECT CONFRONTATION WITH GOM.

4. INTERNATIONAL CHAMBER OF COMMERCE, WHOSE MEMBERSHIP INCLUDES MOST MAJOR FOREIGN FIRMS, CALLING EMERGENCY MEETING THIS WEEK TO DISCUSS ACT AND TO DECIDE ON APPROPRIATE ACTION, IF ANY, WITH RESPECT GOM.

5. BP CALLING ON BRITISH HIGH COMMISSIONER APRIL TEN; SHELL HAS NOT APPROACHED BRITISH HIGH COMMISSION. MANAGING DIRECTOR SHELL MALAYSIA DEPARTED FOR HOME OFFICE LONDON PRIOR INTRODUCTION BILL IN PARLIAMENT, EXPECTED RETURN KUALA LUMPUR EARLY NEXT WEEK.
UNDERHILL

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